

Testimony of Donald Kelly

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Before the Banks Committee of the Connecticut General Assembly

On

House Bill 5417, An Act CONCERNING BROKER PRICE OPINIONS

Chairman Duff, Chairman Tong, members of the Committee, I'm Don Kelly, Executive Director of the Real Estate Valuation Advocacy Association, REVAA for short, and I'd like to thank you for the opportunity to testify before the Banks Committee today. I'll be focusing my comments on House Bill 5417, An Act Expanding Consumer Access to Broker Price Opinions. My organization, REVAA, represents real estate valuation management companies across the country. Its mission is to promote high ethical standards, awareness of the important role of our industry in helping to restore a stable housing industry, and to work with others to achieve responsible legislation. I'm here today because of this important piece of legislation that will ultimately help Connecticut borrowers save hundreds of dollars individually and tens of thousands of dollars collectively during important financial transactions such as mortgage modifications or restructurings or when they opt for a short sale with their lender.

We thank the Banks committee for recognizing the importance of the bill's concept, which would clarify existing state law to allow real estate brokers to perform a Broker Price Opinion for a borrower's lender in circumstances where a more costly and time-consuming appraisal is not required under any legal or regulatory circumstance. Real estate professionals already have clear authority under state law to perform BPOs in a variety of circumstances, most frequently associated with real estate listings.

Specifically, this legislation would amend the real estate and appraiser licensing laws to allow real estate brokers and salespeople to perform broker price opinions for mortgagees or their agents, where it is the appropriate product or service. Importantly, this is primarily in the mortgage servicing, not loan origination, arena.

Forty-three states, including the District of Columbia, currently allow real estate professionals to render BPOs for mortgagees. Currently, the Connecticut real estate licensing law limits the ability of real estate brokers and salespeople to perform this valuable and cost saving service primarily in their brokerage business – the listing and selling of real estate. Meanwhile, banks and lenders have clear authority to use this product.

Real estate professionals perform about ten million broker price opinions for financial institutions each year, primarily at the request of mortgage servicers who are trying to ascertain

what a borrower's home is worth in a variety of circumstances, including foreclosure avoidance, e.g., loan modifications and short sales. Federal borrower assistance programs such as HAMP and HARP specifically allow the use of BPOs. In addition, financial institutions use BPOs for internal due diligence and risk assessment of their loan portfolios.

In all of these instances, the most relevant information is the *market price* of the property being reviewed. Real estate brokers and salespeople are the professionals with targeted expertise on the market price of property, because they list and sell property every day. Broker price opinions have become a widely accepted and reliable product, essential to the modern mortgage servicing business. They are also consumer friendly, because they can be performed expeditiously and at a reasonable cost.

To be clear, House Bill 5417 continues the requirement that appraisals serve as the primary valuation basis of a loan origination decision. This is consistent with the federal Dodd-Frank Act requirements. The Dodd-Frank legislation clearly states that broker price opinions may be used in all contexts *except* as the primary basis for a loan *origination* decision on a consumer's principal residence. Licensed appraisers will continue under House Bill 5417 to provide valuations that form the primary basis of a loan origination decision.

In conclusion, there is every compelling reason to, and no good reason not to, make mortgage servicing, including loan modifications, more affordable for consumers. You can do this by passing HB 5417 and bringing Connecticut law into harmony with federal mortgage assistance programs and the Dodd-Frank Act, just like in the other 43 other states, by allowing licensed real estate professionals the ability to provide this valuable service where appropriate.

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REVA is a not-for-profit trade association comprised of real estate related valuation service companies. These companies develop and deliver valuation and valuation related services to consumers, financial institutions, investors, and other market participants. Many members of REVA are appraisal management companies that deliver the full spectrum of valuation and risk management services needed in today's marketplace.